

ALGONAC HOUSING COMMISSION
ALGONAC, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Algonac Housing Commission		County St. Clair	
Fiscal Year End March 31, 2007		Opinion Date July 20, 2007		Date Audit Report Submitted to State September 8, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	Report on Internal Controls and Compliance	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue			City Traverse City	State MI
			Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

ALGONAC HOUSING COMMISSION
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Independent Auditor's Report

Board of Commissioners
Algonac Housing Commission
Algonac, Michigan

I have audited the accompanying basic financial statements of the business-type activities and the aggregate remaining fund information of the Algonac Housing Commission, Michigan, a component unit of the City of Algonac, as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Algonac Housing Commission, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Algonac Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated July 20, 2007, on my consideration of Algonac Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis comparison information on pages 4 through 10, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Algonac Housing Commission, Michigan's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in all material respects, in relation to the basic financial statements taken as a whole.

Bary E. Staudt, CPA, PC

July 20, 2007

ALGONAC HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
March 31, 2007
(Unaudited)

As management of the Algonac Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Algonac Housing Commission's financial activities for the fiscal year ended March 31, 2007. This discussion and analysis letter of the Algonac Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAS to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transactions has actually taken place.

Financial Highlights

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2007 were \$1,247,690. The net assets decreased by \$75,684, a decrease of 5.7% from the prior year.

Revenues and contributions for the Commission were \$392,291 for the year ended March 31, 2007. This was an increase of \$30,832 or 8.5% from the prior year.

Expenses for the Commission were \$467,975 for the year ended March 31, 2007. This was a decrease of \$8,623 or 1.8% from the prior year.

HUD operating grant subsidies were \$127,181 for the year ended March 31, 2007. This was an increase of \$37,067 or 41.1% from the prior year. Capital contributions for the Commission were \$80,158 (of which \$34,045 were used for operating purposes) for the year ended March 31, 2007. This was a decrease of \$6,676 or 7.7% less than the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Algonac Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income. The Housing Commission has 70 low rent units.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. Normally a Housing Commission has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies, but since the Housing Commission has less than 250 units they are permitted to use more than 20%. This program is the primary funding source for physical improvements to its properties.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$1,247,690 at the close of the year ended March 31, 2007 down from \$1,323,374 in 2006. The decrease in net assets of \$75,684 was due to the change in net assets for the year.

The unrestricted net assets were \$9,909 as of March 31, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF NET ASSETS
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Current and other assets	\$ 81,579	\$ 94,677	\$ (13,098)
Capital assets	<u>1,237,781</u>	<u>1,307,369</u>	<u>(69,588)</u>
Total assets	<u>\$1,319,360</u>	<u>\$1,402,046</u>	<u>\$ (82,686)</u>
Current liabilities	\$ 58,016	\$ 48,136	\$ 9,880
Noncurrent liabilities	<u>13,654</u>	<u>30,536</u>	<u>(16,882)</u>
Total liabilities	<u>71,670</u>	<u>78,672</u>	<u>(7,002)</u>
Net assets:			
Invested in capital assets	1,237,781	1,307,369	(69,588)
Unrestricted net assets	<u>9,909</u>	<u>16,005</u>	<u>(6,096)</u>
Total net assets	<u>1,247,690</u>	<u>1,323,374</u>	<u>(75,684)</u>
Total liabilities and net assets	<u>\$1,319,360</u>	<u>\$1,402,046</u>	<u>\$ (82,686)</u>

Current and other assets decreased, in part, due to cash of \$24,358 being used to pay for accumulated leave time to the former Executive Director.

Current liabilities increased, in part, due to accounts payable increasing by \$3,126 and accrued wage/payroll taxes payable by \$7,519.

Noncurrent liabilities decreased by \$16,882, because of a payment to the former Executive Director for accumulated leave time.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The decrease of \$69,588 in capital assets, is due to the depreciation expense of \$119,484, netted against capital outlays of \$49,896.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions increased by \$30,832, in part, due to the increase federal funding of \$30,391 from the prior year, because of using more of the capital grant funding this fiscal year.

FINANCIAL ANALYSIS (CONTINUED)**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Revenues and Contributions			
Dwelling rent	\$ 171,386	\$ 174,178	\$ (2,792)
Nondwelling rent	535	2,438	(1,903)
Interest income	1,010	1,577	(567)
Other income	12,021	5,818	6,203
Gain on sale of fixed assets		500	(500)
HUD operating grants	161,226	166,308	(5,082)
Capital contributions	<u>46,113</u>	<u>10,640</u>	<u>35,473</u>
Total Revenues and Contributions	<u>392,291</u>	<u>361,459</u>	<u>30,832</u>
Expenses			
Personal services	195,723	211,374	(15,651)
Utilities	65,742	65,449	293
Operations and maintenance	26,139	23,431	2,708
Insurance	18,454	22,630	(4,176)
Payment in lieu of taxes	11,452	9,566	1,886
Other supplies and expenses	30,981	29,633	1,348
Depreciation	<u>119,484</u>	<u>114,515</u>	<u>4,969</u>
Total Expenses	<u>467,975</u>	<u>476,598</u>	<u>(8,623)</u>
Change in Net Assets	<u>\$ (75,684)</u>	<u>\$ (115,139)</u>	<u>\$ 39,455</u>

Total expenses for the Commission decreased by \$8,623 due, in part, to a reduction in wages and fringe benefits because of the former Executive Director being replaced and the maintenance staff went from two to one.

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>03/31/07</u>	<u>03/31/06</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$127,181	\$ 90,114	\$ 37,067	41.1%
Capital Fund Program	<u>80,158</u>	<u>86,834</u>	<u>(6,676)</u>	<u>(7.7%)</u>
Total	<u>\$207,339</u>	<u>\$176,948</u>	<u>\$ 30,391)</u>	<u>17.2%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. Capital Fund Program grants are used for both operating costs and for capital improvements. HUD has implemented a new formula for calculating the operating subsidy, therefore, the reason for the \$37,067 increase from the prior year.

FINANCIAL ANALYSIS (CONTINUED)

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ended March 31, 2007 was prepared.

OPERATIONAL HIGHLIGHTS

Our financial situation at the Algonac Housing Commission is improving in regards to the normal everyday income and expenditures. HUD advised us that we are on the fine line of being considered a "troubled Agency" so we have some distance to go to be financially secure. Our subsidy has increased and so has the Capital funding for FY 2007. We have plans to continue replacing kitchen cabinets with Capital Funding in the Senior apartments as they become vacant. Carpet is also being replaced as needed and so is concrete.

I will continue to replace the cash reserves that were given to the former Director with Capital Funds when possible. Litigation is still pending and should the arbitrator rule in favor of the former Director, this could severely hamper the Commission in its efforts to help the low income people of our area.

There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position(net assets) or results of operations(revenues, expenses, and other changes in net assets).

CAPITAL ASSETS

Capital Assets - The Algonac Housing Commission's investment in capital assets, as of March 31, 2007 amounts to \$1,237,781 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 35,500	\$ 35,500	\$
Building	3,902,397	3,902,397	
Furniture, equip. & machinery-dwelling	110,036	107,899	2,137
Furniture, equip. & machinery-admin.	85,578	68,523	17,055
Building improvements	<u>191,037</u>	<u>160,333</u>	<u>30,704</u>
	4,324,548	4,274,652	49,896
Accumulated depreciation	(3,086,767)	(2,967,283)	(119,484)
Total	<u>\$1,237,781</u>	<u>\$1,307,369</u>	<u>\$ (69,588)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$69,588 or 5.3% in terms of net book value. The capital expenditures during the current fiscal year included computer equipment and software, cabinets, flooring, refrigerators, two oak doors, lights and ballast, and roof units.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that the federal government will continue to provide us with the funding to continue to provide safe, sanitary, and decent housing to our residents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Nelson Stringer, Jr., Executive Director
1205 Saint Clair River Drive
Algonac, Michigan 48001

FINANCIAL STATEMENTS

ALGONAC HOUSING COMMISSION

STATEMENT OF NET ASSETS

March 31, 2007

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ASSETS

Current Assets:

Cash	\$ 44,407
Receivable, net of allowances:	
Accounts	2,396
Investments-unrestricted	26,077
Prepaid expenses	<u>8,699</u>
Total Current Assets	<u>81,579</u>

Capital Assets:

Land	35,500
Buildings	3,902,397
Equipment	195,614
Building improvements	<u>191,037</u>
	4,324,548
Less: accumulated depreciation	<u>(3,086,767)</u>
Net Capital Assets	<u>1,237,781</u>
Total Assets	<u>\$ 1,319,360</u>

See notes to financial statements

ALGONAC HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2007
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LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 22,975
Tenant security deposit liability	17,757
Accrued expenses	16,752
Deferred revenues	<u>532</u>
Total Current Liabilities	58,016
Noncurrent Liabilities:	
Accrued compensated absences	<u>13,654</u>
Total Liabilities	<u>71,670</u>
Net Assets:	
Invested in capital assets	1,237,781
Unrestricted net assets	<u>9,909</u>
Total Net Assets	<u>1,247,690</u>
Total Liabilities and Net Assets	<u>\$ 1,319,360</u>

See notes to financial statements

ALGONAC HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year Ended March 31, 2007
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OPERATING REVENUES:

Dwelling rent	\$ 171,386
Nondwelling rent	<u>535</u>

Total operating revenues	<u>171,921</u>
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OPERATING EXPENSES:

Administration	153,176
Tenant services	2,050
Utilities	65,742
Ordinary maintenance and operation	92,063
General expenses	35,460
Depreciation	<u>119,484</u>

Total operating expenses	<u>467,975</u>
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Operating income(loss)	<u>(296,054)</u>
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NONOPERATING REVENUES:

Investment interest income	1,010
Other income	12,021
Operating grants	161,226
Capital grants	<u>46,113</u>

Total nonoperating revenues	<u>220,370</u>
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Change in net assets	(75,684)
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Net assets, beginning	<u>1,323,374</u>
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Net assets, ending	<u>\$ 1,247,690</u>
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See notes to financial statements

ALGONAC HOUSING COMMISSION
STATEMENT OF CASH FLOWS
 Year Ended March 31, 2007
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 172,591
Cash payments to other suppliers of goods and services	(148,909)
Cash payments to employees for services	(206,049)
Cash payments for in lieu of taxes	<u>(9,566)</u>
Net cash (used) by operating activities	<u>(191,933)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES:

Tenant security deposits	1,571
Operating grants	161,226
Other revenue	<u>12,021</u>
Net cash provided by noncapital financing activities	<u>174,818</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Capital grants	46,113
Payments for capital acquisitions	<u>(49,896)</u>
Net cash (used) by capital and related financing activities	<u>(3,783)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments increased	(5,000)
Receipts of interest and dividends	<u>1,010</u>
Net cash (used) by investing activities	<u>(3,990)</u>

Net increase(decrease) in cash	(24,888)
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Cash, beginning	<u>69,295</u>
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Cash, ending	<u><u>\$ 44,407</u></u>
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ALGONAC HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2007
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RECONCILIATION OF OPERATING INCOME(LOSS)
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES:

Operating income(loss)	\$(296,054)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	119,484
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	672
Prepaid expenses and other assets	(7,462)
Increase (decrease) in liabilities:	
Accounts payable	3,126
Accrued wages/payroll taxes	(1,893)
Accrued compensated absences	(21,102)
Accrued unemployment	9,412
Accrued payments in lieu of taxes	1,886
Deferred revenues	<u>(2)</u>
Net cash (used) by operating activities	<u><u>\$(191,933)</u></u>

See notes to financial statements

ALGONAC HOUSING COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
March 31, 2007

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Algonac Housing Commission(Housing Commission) is a component unit of the City of Algonac, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Algonac on April 30, 1972, consisting of a five member board appointed by the City Mayor. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Algonac Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing commissions to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and

expenses.

Capital Assets

The accounting treatment over property, plan, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building improvements	10 - 15 years
Furniture, equipment and machinery	5 - 7 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows:

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.s. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written collateral agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the fiscal year ended March 31, 2007, the Housing Commission complied in all material respects, with these revenue restrictions.

2(d) Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 3: DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Housing Commission(or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 9,829	\$ 9,829	\$	\$	\$ 8,864
Savings	35,393	35,393			35,393
Total Deposits	<u>\$ 45,222</u>	<u>\$ 45,222</u>	<u>\$</u>	<u>\$</u>	<u>\$ 44,257</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Notes 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Certificate of deposits	<u>\$ 26,077</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 26,077</u>	<u>\$ 26,077</u>

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	\$ 44,257
Petty cash	150
Investments	<u>26,077</u>
Total	<u>\$ 70,484</u>
Cash and cash equivalents:	
Enterprise activities	\$ 71,449
Enterprise activities - checks written in excess of deposits	<u>(965)</u>
Total	<u>\$ 70,484</u>

3(b) Accounts Receivable

Receivables detail at March 31, 2007, is as follows:

Tenant accounts receivable	\$ 2,931
Allowance for doubtful accounts	<u>(535)</u>
	<u>\$ 2,396</u>

3(c) Capital Assets

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Balance</u> <u>03/31/06</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/07</u>
Low Rent Program				
Land	\$ 35,500	\$	\$	\$ 35,500
Buildings	3,902,397			3,902,397
Furniture, equip. & machinery - dwellings	107,899	1,900		109,799
Furniture, equip. & machinery - administration	63,106	7,748		70,854
Building improvements	<u>149,646</u>	<u>6,640</u>		<u>156,286</u>
	4,258,548	<u>\$ 16,288</u>	<u>\$</u>	4,274,836
Less accumulated depreciation	<u>(2,966,882)</u>	<u>\$ (116,940)</u>	<u>\$</u>	<u>(3,083,822)</u>
Total	<u>\$ 1,291,666</u>			<u>\$ 1,191,014</u>
Capital Fund Program				
Furniture, equip. & machinery - dwellings	\$	\$ 237	\$	\$ 237
Furniture, equip. & machinery - administration	5,417	9,307		14,724
Building improvements	<u>10,687</u>	<u>24,064</u>		<u>34,751</u>
	16,104	<u>\$ 33,608</u>	<u>\$</u>	49,712
Less accumulated depreciation	<u>(401)</u>	<u>\$ (2,945)</u>	<u>\$ 401</u>	<u>(2,945)</u>
Total	<u>\$ 15,703</u>			<u>\$ 46,767</u>
Combined Totals				<u><u>\$ 1,237,781</u></u>

3(d) Accounts Payable

Payable detail at March 31, 2007, is as follows:

Accounts payable - vendors	\$ 11,523
Accounts payable - other government - PILOT	<u>11,452</u>
	<u><u>\$ 22,975</u></u>

3(e) Accrued expenses

Accrued wage/payroll taxes payable	\$	13,338
Accrued compensated absences-current portion		<u>3,414</u>
	\$	<u>16,752</u>

3(f) Interprogram Transactions and Balances

The Capital Fund Program transferred \$34,045 to the Low Rent Program during the fiscal year ending March 31, 2007.

There were no interprogram receivables or payables.

NOTE 4: Other Information

4(a) Pension Plan

The Housing Commission does not have a pension plan.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

4(c) Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

4(d) Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

The Housing Commission has an employment agreement arbitration claim brought by the former Executive Director of the Housing Commission. The former Executive Director has filed a claim with the American Arbitration Association alleging breach of her employment agreement, certain claims of employment discrimination, claims of whistleblower's protection violations, and public policy claims based upon her employment. An estimate of the possible loss, if any, cannot be made.

NOTE 5: Equity Transfers

Low Rent Program

Transfer CFP 2004 to Low Rent	<u><u>\$ (12,104)</u></u>
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Capital Fund Program

Transfer CFP 2004 to Low Rent	<u><u>\$ (12,104)</u></u>
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SUPPLEMENTARY INFORMATION

ALGONAC HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM
 March 31, 2007
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 44,407	\$
Receivables:		
Accounts - dwelling rents	2,931	
Allowance for doubtful accounts- dwelling rents	(535)	
Investments-unrestricted	26,077	
Prepaid expenses and other assets	<u>8,699</u>	
Total current assets	<u>81,579</u>	
Capital assets:		
Land	35,500	
Buildings	3,902,397	
Equipment	180,653	14,961
Building improvements	<u>156,286</u>	<u>34,751</u>
	4,274,836	49,712
Less accumulated depreciation	<u>(3,083,822)</u>	<u>(2,945)</u>
Net capital assets	<u>1,191,014</u>	<u>46,767</u>
Total Assets	<u>\$ 1,272,593</u>	<u>\$ 46,767</u>

Totals

\$ 44,407

2,931

(535)

26,077

8,699

81,579

35,500

3,902,397

195,614

191,037

4,324,548

(3,086,767)

1,237,781

\$ 1,319,360

ALGONAC HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)
 March 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 22,975	\$
Tenant security deposit liability	17,757	
Accrued expenses	16,752	
Deferred revenues	<u>532</u>	
Total current liabilities	58,016	
Noncurrent liabilities:		
Accrued compensated absences	<u>13,654</u>	
Total liabilities	<u>71,670</u>	
Net assets:		
Invested in capital assets	1,191,015	46,767
Unrestricted net assets	<u>9,908</u>	
Total net assets	<u>1,200,923</u>	<u>46,767</u>
Total Liabilities and Net Assets	<u><u>\$1,272,593</u></u>	<u><u>\$ 46,767</u></u>

Totals

\$ 22,975
17,757
16,752
532

58,016

13,654

71,670

1,237,782
9,908

1,247,690

\$ 1,319,360

ALGONAC HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended March 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 171,386	\$
Nondwelling rent	<u>535</u>	<u></u>
Total operating revenues	<u>171,921</u>	<u></u>
OPERATING EXPENSES:		
Administration	153,176	
Tenant services	2,050	
Utilities	65,742	
Ordinary maintenance and operation	92,063	
General expenses	35,460	
Depreciation	<u>116,539</u>	<u>2,945</u>
Total operating expenses	<u>465,030</u>	<u>2,945</u>
Operating income(loss)	<u>(293,109)</u>	<u>(2,945)</u>
NONOPERATING REVENUES (EXPENSES) :		
Operating transfers in(out)	34,045	(34,045)
Investment interest income	1,010	
Other income	12,021	
Operating grants	127,181	34,045
Capital grants	<u></u>	<u>46,113</u>
Total nonoperating revenues (expenses)	<u>174,257</u>	<u>46,113</u>
Change in net assets	(118,852)	43,168
Equity transfers	12,104	(12,104)
Net assets, beginning	<u>1,307,671</u>	<u>15,703</u>
Net assets, ending	<u>\$1,200,923</u>	<u>\$ 46,767</u>

Totals

\$ 171,386
535

171,921

153,176
2,050
65,742
92,063
35,460
119,484

467,975

(296,054)

1,010
12,021
161,226
46,113

220,370

(75,684)

1,323,374

\$ 1,247,690

ALGONAC HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended March 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 172,591	\$
Cash payments to other suppliers of goods and services	(148,909)	
Cash payments to employees for services	(206,049)	
Cash payments for in lieu of taxes	<u>(9,566)</u>	
Net cash (used) by operating activities	<u>(191,933)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in(out)	34,045	(34,045)
Tenant security deposits	1,571	
Operating grants	127,181	34,045
Other revenue	<u>12,021</u>	
Net cash provided by noncapital financing activities	<u>174,818</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		46,113
Payments for capital acquisitions	<u>(3,783)</u>	<u>(46,113)</u>
Net cash (used) by capital and related financing activities	<u>(3,783)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments increased	(5,000)	
Receipts of interest and dividends	<u>1,010</u>	
Net cash (used) by investing activities	<u>(3,990)</u>	
Net increase(decrease) in cash	(24,888)	
Cash, beginning	<u>69,295</u>	
Cash, ending	<u>\$ 44,407</u>	<u>\$</u>

Totals

\$ 172,591

(148,909)

(206,049)

(9,566)

(191,933)

1,571

161,226

12,021

174,818

46,113

(49,896)

(3,783)

(5,000)

1,010

(3,990)

(24,888)

69,295

\$ 44,407

ALGONAC HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)

Year Ended March 31, 2007

=====

	Low Rent Program	Capital Fund Program
	<u>14.850a</u>	<u>14.872</u>

RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED(USED)

BY OPERATING ACTIVITIES:

Operating income(loss)	\$(293,109)	\$(2,945)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	116,539	2,945
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	672	
Prepaid expenses and other assets	(7,462)	
Increase (decrease) in liabilities:		
Accounts payable	3,126	
Accrued wages/payroll taxes	(1,893)	
Accrued compensated absences	(21,102)	
Accrued unemployment	9,412	
Accrued payments in lieu of taxes	1,886	
Deferred revenues	<u>(2)</u>	
Net cash (used) by operating activities	<u>\$(191,933)</u>	<u>\$</u>

Totals

\$ (296,054)

119,484

672

(7,462)

3,126

(1,893)

(21,102)

9,412

1,886

(2)

\$ (191,933)

ALGONAC HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2007
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	Public and Indian Housing <u>Nonmajor - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 127,181
	Public and Indian Housing <u>Nonmajor - Direct Program</u>		
2007	Capital Fund Program	14.872	<u>80,158</u>
	Total		<u>\$ 207,339</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ALGONAC HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS			
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 26,650	\$
114	Cash-tenant security deposits	<u>17,757</u>	
100	Total cash	<u>44,407</u>	
	Receivables:		
126	A/R-tenants-dwelling rents	2,931	
126.1	Allowance for doubtful accounts-dwelling rent	<u>(535)</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>2,396</u>	
	Current Investments:		
131	Investments-unrestricted	<u>26,077</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	<u>8,699</u>	
150	Total current assets	<u>81,579</u>	
	Noncurrent Assets:		
	Fixed assets:		
161	Land	35,500	
162	Buildings	3,902,397	
163	Furn, equip & mach-dwellings	109,799	237
164	Furn, equip & mach-admin.	70,854	14,724
165	Building improvements	156,286	34,751
166	Accumulated depreciation	<u>(3,083,822)</u>	<u>(2,945)</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,191,014</u>	<u>46,767</u>
180	Total noncurrent assets	<u>1,191,014</u>	<u>46,767</u>
190	Total Assets	<u>\$ 1,272,593</u>	<u>\$ 46,767</u>

Totals

\$ 26,650
17,757

44,407

2,931

(535)

2,396

26,077

8,699

81,579

35,500
3,902,397
110,036
85,578
191,037
(3,086,767)

1,237,781

1,237,781

\$ 1,319,360

ALGONAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 11,523	\$
321	Accrued wage/payroll taxes payable	13,338	
322	Accrued compensated absences-current portion	3,414	
333	Accounts payable-other government	11,452	
341	Tenant security deposits	17,757	
342	Deferred revenues	<u>532</u>	
310	Total current liabilities	58,016	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>13,654</u>	
300	Total liabilities	<u>71,670</u>	
	Equity:		
508.1	Invested in capital assets	<u>1,191,015</u>	<u>46,767</u>
508	Total equity	1,191,015	46,767
	Net Assets:		
512.1	Unrestricted net assets	<u>9,908</u>	
513	Total equity/net assets	<u>1,200,923</u>	<u>46,767</u>
600	Total Liabilities and Equity/Net Assets	<u>\$1,272,593</u>	<u>\$ 46,767</u>

Totals

\$ 11,523

13,338

3,414

11,452

17,757

532

58,016

13,654

71,670

1,237,782

1,237,782

9,908

1,247,690

\$ 1,319,360

ALGONAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2007
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 171,386	\$
704	Tenant revenue-other	<u>535</u>	
705	Total tenant revenue	171,921	
706	HUD PHA grants	127,181	34,045
706.1	Capital grants		46,113
711	Investment income-unrestricted	1,010	
715	Other revenue	<u>12,021</u>	
700	Total revenue	<u>312,133</u>	<u>80,158</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	87,000	
912	Auditing fees	2,500	
914	Compensated absences	3,257	
915	Employee benefit contributions-adm.	39,542	
916	Other operating-administrative	20,877	
	Tenant Services:		
924	Tenant services-other	2,050	
	Utilities:		
931	Water	14,080	
932	Electricity	42,698	
933	Gas	8,964	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	39,565	
942	Ordinary maint & oper-mat'ls & other	6,378	
943	Ordinary maint & oper-contract costs	19,761	
945	Employee benefit contributions- ordinary maintenance	26,359	
	General expenses:		
961	Insurance premiums	18,454	
963	Payments in lieu of taxes	11,452	
964	Bad debt-tenant rents	<u>5,554</u>	
969	Total operating expenses	<u>348,491</u>	
970	Excess operating revenue over operating expenses	<u>(36,358)</u>	<u>80,158</u>

<u>Totals</u>	
\$	171,386
	<u>535</u>
	171,921
	161,226
	46,113
	1,010
	<u>12,021</u>
	<u>392,291</u>

87,000
2,500
3,257
39,542
20,877

2,050

14,080
42,698
8,964

39,565
6,378
19,761

26,359

	18,454
	11,452
	<u>5,554</u>

	<u>348,491</u>
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	<u>43,800</u>
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ALGONAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2007

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FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
974	Depreciation expense	<u>116,539</u>	<u>2,945</u>
	Total other expenses	<u>116,539</u>	<u>2,945</u>
900	Total expenses	<u>465,030</u>	<u>2,945</u>
	Other Financing Sources (Uses)		
	Operating transfers in(out)	<u>34,045</u>	<u>(34,045)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(118,852)	43,168
1103	Beginning Net Assets	1,307,671	15,703
1104	Prior period adjustments, equity transfers, and correction of errors	<u>12,104</u>	<u>(12,104)</u>
	Ending Net Assets	<u>\$ 1,200,923</u>	<u>\$ 46,767</u>

Totals

119,484

119,484

467,975

(75,684)

1,323,374

\$ 1,247,690

**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Housing Commissioners
Algonac Housing Commission
Algonac, Michigan

I have audited the financial statements of the business-type activities of the Algonac Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated July 20, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Report on Internal Control over Financial
Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Algonac Housing Commission
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated July 20, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Tardiff, CPA, PC

July 20, 2007

ALGONAC HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 March 31, 2007

=====

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			
	(1)		
4540	Employee benefits	\$ 9,412.00	
2117.4	Unemployment benefits		\$ 9,412.00
	(2)		
4220	Tenant services	1,272.91	
4190	Sundry		1,272.91
	(3)		
	Cash-tenant security deposits	17,757.00	
1111	Cash-checking		17,757.00

ALGONAC HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2007

ALGONAC HOUSING COMMISSION
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MARCH 31, 2007

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Adjusting Journal Entries	6

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Algonac Housing Commission

I have audited the financial statements of the Algonac Housing Commission ("Housing Commission") as of and for the year ended March 31, 2007, and have issued my report, thereon, dated July 20, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were three audit adjusting journal entries, and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see adjusting entries on page 6).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Bary E. Landolt, CPA

July 20, 2007

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Algonac Housing Commission

I have audited the financial statements of the Algonac Housing Commission ("Housing Commission") as of and for the year ended March 31, 2007, and have issued my report, thereon, dated July 20, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

July 20, 2007

ALGONAC HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS

March 31, 2007

=====

Tenant Accounts Receivable

As of March 31, 2007 the tenant accounts receivable balance was \$2,931. The financial ratio for tenant receivable outstanding is 6.2, which is above the HUD recommended ratio of 2.0.

I recommend the Housing Commission write off uncollectible receivables in the month of March each fiscal year to help in reducing the ratio.

Tenant File Testing

We selected six tenant files at random to test. We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in the tenant file or incorrect	0
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	3
5. Incorrect Verification of Assets	0
6. Inspection Report missing for fiscal year or was incorrect	0
7. Lease missing or incorrect	1
8. Application missing or incorrect	2
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing	0
11. Copy of Birth Certificate missing	1
12. Flat Rent/Income Based Rent Choice missing or incorrect	2
13. Worksheet for HUD-50058 missing or incorrect	1
14. Notice of Rent Adjustment missing or incorrect	0
15. Criminal Background Check not done, not documented, or it was in the file	1
16. Declaration of 214 Status missing or incorrect	2
17. Lead Based Paint Disclosure missing or incorrect	6
18. Check for Previous Eviction from Public Housing not done or incorrect	2
19. Annual Family Composition Review missing or incorrect	4
Total	<u>25</u>

ALGONAC HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
(CONTINUED)

March 31, 2007

=====

Tenant File Testing (continued)

Out of a possible 114, there were 25 exceptions from this test.
This represents an exception rate of 21.93%

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	114		x						x	
2	410 Fruit St.			x					x	
3	312		x	x					x	
4	317								x	
5	308	x							x	
6	106			x					x	
Number of Hits		<u>1</u>	<u>2</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>0</u>
Percentage of Hits		<u>16%</u>	<u>33%</u>	<u>50%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

We recommend that the Algonac Housing Commission document family composition for all tenants. The documentation of family composition must be done annually. It is also recommended that a properly completed lead paint disclosure form be obtained for each tenant file. Proper expense verifications should be obtained where appropriate for all tenants. Where possible, these should be independent third party written verifications.

ALGONAC HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 March 31, 2007
 =====

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